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C O N F I D E N T I A L SANTO DOMINGO 001751

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DEPT FOR S/ES-S, D, P, WHA, WHA/CAR, WHA/OAS, WHA/PPC,
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TAGS: [OVIP](#) [PGOV](#) [PREL](#) [ETRD](#) [OAS](#) [DR](#)
SUBJECT: SCENESETTER FOR THE SECRETARY: DOMINICAN REPUBLIC,
JUNE 4-5

Classified By: Charge Lisa J. Kubiske. Reason: 1.4 (b) and (d).

11. (C) Summary. President Leonel Fernandez and his party have just triumphed in mid-term elections in this pro-United-States, lower-middle income developing country in the Caribbean. Democracy is both young and fragile. Fernandez wants to use his mandate to build a modern state, and he has called for a dialogue on a new constitution, on building competitiveness, on strengthening democratic institutions, on fighting pervasive corruption, and on reducing poverty. Coming at the mid-point of Fernandez's second time as president, the hosting of the OAS General Assembly publicly reinforces his internationalist credentials and gives him the opportunity to promote his vision for his country and for the hemisphere. You can use your visit both to accomplish objectives for the Organization of American States and to press Fernandez to accelerate the final steps to bring into effect the CAFTA-DR free trade agreement with the United States, to urge him to complete steps for the country to join the key anti-terrorism conventions, to encourage him to use his reinforced mandate to move decisively against corruption, to express our appreciation for his leadership in improving Dominican-Haitian relations. End summary.

12. (C) Secretary of State George Shultz visited in 1986. Since the negotiated departure of Joaquin Balaguer in 1996 the Dominican Republic has been the most reliable supporter of democracy in the Caribbean. It is our fourth largest trading partner in the Western Hemisphere. Our close relationship includes close military ties, law enforcement cooperation, cultural links, and close to a million individuals of Dominican origin living in the United States, equivalent to more than 10 percent of the country's population. Dominican governments have been generally pro-United-States. Fernandez's predecessor contributed troops to Operation Iraqi Freedom, signed an Article 98 agreement and got it ratified, and passed laws to counter money laundering and trafficking in persons. President Leonel Fernandez is focusing on modernizing government within a democratic, free-market system. His economic framework is established by an IMF standby agreement, the CAFTA-DR free trade agreement with the United States and Central America, the UN Millennium Development Goals, and the targets of the indicators used by the Millennium Challenge Corporation. Fernandez grew up in New York City, attending public school there, returning to the Dominican Republic as a teenager. As a law student and developing politician he used the Embassy Public Affairs library for research.

Fernandez Triumphant

13. (C) Leonel Fernandez won the presidency in 2004 with a 57 percent mandate, much of it arising from popular rejection of economic hardship and financial crisis caused by his predecessor. He has led the traditionally leftist Dominican Liberation Party (PLD) to the political center, advocating markets, social investment, and competition in the global marketplace. His administration complied with fiscal targets of the new IMF standby agreement and achieved a globally applauded dramatic economic turnaround.

14. (C) Fernandez actively campaigned for PLD candidates this year. This month's congressional and municipal elections produced a 2/3 PLD majority in the Senate and a PLD majority in the House of Representatives. These results, in the last stages of certification, give him a sweeping mandate to pursue his goals.

Internationalist

15. (C) A brilliant and personable intellectual, Fernandez was president from 1996 to 2000. While out of office from 2000-2004, he founded a U.S.-style think tank, arranged links with leading universities in the U.S. and Europe, and regularly appeared on the international conference circuit. He has followed his campaign promises to be active in multilateral fora. While he acknowledges the closeness of the Dominican people and government to the United States, he has cultivated relations throughout the hemisphere. He maintains a cordial but carefully non-aligned approach concerning Hugo Chavez and Venezuela. He accepted Chavez's

Petrocaribe Agreement but rejected statist trading arrangements advocated by Venezuelans and he declined to support Chavez's anti-U.S. rhetoric at the Summit of the Americas in Mar de Plata. Though he opened diplomatic relations with Cuba in his first term in 1998, Dominican relations with Cuba have been formal and correct, not warm.

16. (C) The Dominican president has advocated greater international assistance to Haiti. He made a working visit to the interim government in Port au Prince in December, 2005 and Haitian President-elect Rene Preval reciprocated with a March visit to Santo Domingo. The almost total lack of control of the land border is coupled with pervasive corruption and allows extensive flows of undocumented migrants, arms and drugs. In 2005 the USG responded to Fernandez's request and delivered a technical assessment of the region advocating establishment of a non-military border patrol force and investment in economic development of the border region. As many as a million Haitians, mostly undocumented, live in this country of nine million. Dominicans are apprehensive about this situation and many discriminate against anyone dark-skinned, assuming that person to be Haitian.

Regional Summit, then OAS General Assembly

17. (C) President Fox of Mexico, President Uribe of Colombia and heads of state from Central America meet President Fernandez in the resort town of La Romana the day before the OAS General Assembly to discuss the System of Central American Integration (SICA). This includes Mexico's proposal of building a Central American refinery as a counterweight to Petrocaribe. Fernandez invited President Bush to attend this event; when the President declined, the Dominicans invited you. So the United States could still be represented, WHA and EB are sending observers to represent you.

18. (C) The Santo Domingo meeting of the OAS General Assembly takes as its theme "Democracy and Governance in the Knowledge Society." The focus on high-tech and knowledge comes directly from Fernandez, who delights in the Internet

and has sought to strengthen higher education in technology. For example, he has established diplomatic relations with India in hopes of securing technical cooperation and know-how from that country. In addition, the Dominicans are fielding a candidate for election to the Inter-American Court of Human Rights (IAHRC), a body that seriously embarrassed them last September when it directed the government to compensate Dominican-born children of Haitian ancestry for refusing to register their births. The United States is not a member of the IAHRC and has no vote in the matter.

Trade Liberalization and CAFTA-DR Delayed

19. (C) In speeches and his campaign platform Fernandez has urged Dominicans to open to the challenges of globalisation and international competition. His predecessor's administration had negotiated market access terms for DR-CAFTA, the regional free trade agreement with Central America and the United States; Fernandez advocated and achieved ratification of the text in September, 2005. The Dominicans have been slow in making changes in laws, regulations and practices necessary for DR-CAFTA implementation, well behind the three of five CAFTA partners for whom the agreement is already in force. Fernandez's public goal is implementation by July 1 but delays are likely, both due to technical problems and because of residual resistance from wealthy special interests. Either the current Congress or the incoming PLD-dominated Congress is likely to pass legislation required to implement CAFTA, once it is presented by the executive branch.

Delays: Anti-Terrorism Conventions

10. (C) The Dominicans have been slow to ratify or adhere to the principal international instruments against terrorism. As of May 30, the 2002 Inter-American Convention against Terrorism was still awaiting signature and proclamation by Fernandez. Of 14 other key instruments, the Dominicans have implemented only four, all dating from the early 1970's or before.

Reforms Needed

11. (C) Corruption is endemic to Dominican politics and business, a legacy of more than 70 years of authoritarian rule. Fernandez sought USG advice on designing anti-corruption initiatives, but relatively little has been done. Virtually all government jobs are part of the political spoils system, turning over with changes of administration. The judiciary remains weak, though improving. CAFTA-DR contains important provisions requiring stricter controls on government procurement and use of public tenders; it requires the criminalization of bribery affecting trade decisions. Lax enforcement of laws has allowed an expansion of narcotics flows through the island to Puerto Rico and the mainland United States. Bribes and complicity are a principal factor in the strong flows of illegal migrants from the country across the Mona Channel to Puerto Rico.

12. (C) Dominican authorities are cooperating with the Nicaraguan investigation of former president Arnoldo Aleman for large-scale corruption. Aleman laundered some of his funds through the Dominican Republic. The Dominicans were receptive to Nicaraguan requests but initially hesitant because Aleman was associated with an influential Dominican family.

13. (C) The electricity sector's underfunded, intervened, patchwork organization is a fundamental obstacle to economic development. Government delays in paying subsidies and a culture of non-payment, electricity stealing and impunity have undercut the finances of the sector. More than USD 500 million in debts have accumulated in the sector, meaning that

at times generating companies lack money to purchase fuel. Administration electricity authorities are arguing that long-established contract terms with generators are unfair and should be renegotiated. The single distribution company partly owned and operated by U.S. interests is apprehensive that impatient statist officials may be planning to press them to sell out.

Presidential Leadership Required

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¶14. (C) President Fernandez is eligible and widely expected to run for re-election in 2008 but to date has not declared his intentions. With the confirmation of his party's electoral win, he has begun convening his advisory councils to outline approaches to the second half of his term. Finances will have to remain tight under terms of the IMF standby.

¶15. (C) A Dominican saying is that "the point of political power is to use it." With the reconfirmation of his administration's mandate, Fernandez needs now to negotiate directly with the interests obstructing progress toward the CAFTA-DR trade agreement, to press politicians to obtain passage of anti-corruption legislation, to enforce the laws vigorously, and to see that his administration reinforces the message that it is "open for business" by, among other things, managing electricity sector reform in a rational, market-friendly manner. Keeping in mind his presidential platform and his endorsement of the Millennium Challenge Goals, he needs to increase investment in basic education and public health.

What You Can Do

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¶16. (C) In your bilateral with President Fernandez:

- - You can express satisfaction at progress toward implementation of the CAFTA-DR regional free trade agreement with the United States, note Fernandez's goal of entry into force on July 1, and ask him to exert his influence in obtaining rapidly any required changes in Dominican law, regulation and administrative practice.
- - You can acknowledge his messages to the international community about the need to assist Haiti in a transition to democracy, praise his government's reaching out to Haiti's new president Rene Preval, and suggest that strengthened border controls will help both countries. We share his insistence that the human rights of all persons, including undocumented Haitians, be respected and that illegal migrants be accorded due process.
- - You can express the hope that he will rapidly promulgate the Inter-American Convention on Terrorism, and you can remind him that his country lags behind much of the world in joining ten other international instruments against crime and terrorism.
- - You can emphasize that corruption undermines democracy and that with his reinforced mandate his administration has the opportunity to pass new laws and take vigorous action against corruption.
- - You can tell him that Dominican assistance in investigating former president of Nicaragua Arnoldo Aleman can help strike a blow against international corruption and bad government.

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